

# Equity Can Help Small Firms Survive the Labor Shortage

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## Part 1 of 2

Worker shortages in the US are hitting small businesses hard, especially since they often lack other resources that help bigger firms ride out the storm. But small businesses, who are more nimble than large ones, are often unaware of a strategy that can help them attract and retain workers: striving for DEIB (diversity, equity, inclusion and belonging) in how they hire people and run their businesses.

Particularly, small businesses that focus focus on equity (i.e., fairness and justice) have the potential to gain great rewards, from decreasing worker turnover to higher overall satisfaction in the workplace. Equity underpins all efforts to improve diversity, inclusion and belonging. However, many small firms hesitate to focus on equity, or don't understand it. This two-part series explores how equitable practices can help small firms, and how small companies can start adopting them.

## Equity, Defined

The National Association for Colleges and Employers (n.d.) defines equity as "fairness and justice;" and "recognizing that we do not all start from the same place and must acknowledge and make adjustments to imbalances." This requires organizations "to identify and overcome intentional and unintentional barriers arising from bias or systemic structures."

Essentially, equity is a prerequisite for any efforts to improve inclusion and belonging at a firm. It's not enough to merely measure whether employees feel included and feel like they belong in an organization. Measuring might shine a light on how they act when they don't belong, but not the actual causes of unbelonging (Gaudiano, 2022). Equity shows the employer what employees of various ethnicities, races, marital status and other differences need to feel like

they belong.

These needs vary from one employee to the next, depending on his or her background and circumstances. Businesses that recognize this enjoy competitive advantages, especially in recruiting. Forstadt (2021) found that workers, particularly millennials and Gen Z, actively seek to work for companies that are aware of their value system and provide opportunities for fairness to all. According to Glassdoor's diversity and inclusion workplace survey (2020), 37% of job seekers would not apply to a company where disparities in employee satisfaction exist among ethnic groups.

Polcastro (2022) states companies that want to "deepen their social impact" should incorporate DEIB into their core values. Doing so can give the small business firm a societal advantage that can build good will during troubling times.

## An Untapped Opportunity

Some key differentiators separate businesses that "thrive" versus those that "survive" in times of uncertainty. These include having: 1) a unique value, 2) a strong synergistic vision, and 3) a desire to become more inclusive (Caramela, 2021). During those times of uncertainty, small firms enjoy the advantage of being able to act quickly, unlike bigger businesses with entrenched policies and bureaucracies.

Many large, well-funded businesses don't focus on equity, which is a key ingredient for #3 -- inclusiveness. However, small businesses can explore this focus with far less risk. It starts when they realize they have a responsibility to strive for diversity, equity, inclusion, and belonging. Worker equity can appear in many different forms -- equitable hiring, flexible work arrangements, and authentic yet transparent communication in the workplace. Small businesses can change their practices



to pursue these goals more easily than larger firms.

As they strive for greater equity, small businesses also have the autonomy to see what works and what does not. They can reshape and continuously refine policies. DEIB is a journey and is not just “checking a box.” While larger organizations must make more calculated risks, which could mean a much slower process from ideation to implementation, small firms can act on their ideas much more quickly.

## Why Now

The COVID-19 pandemic inadvertently exposed several work-related inequities. Many employees deemed “essential workers” had to show up for work, and were overworked and under-resourced while they strived to meet many of society’s basic needs. Other employees made a dramatic shift to remote work. For many, this was a welcome change that allowed for more flexibility and focus, yet others were left to manage this new form of virtual work while concurrently balancing household responsibilities, including childcare. In the post-pandemic world, small businesses can learn and grow from the experiences of 2020. Embracing equity can help small businesses meet the needs of employees (and employers) in this new and dynamic global landscape.

## It Starts With Leadership

Small businesses are better positioned to make real progress in equity because their leaders have more opportunities to be seen as authentic. Authentic leadership is a leadership style that is based on the leader’s values and beliefs (Gardner et al., 2011). Authentic leaders are self-aware, honest, and transparent; thus, can build strong relationships with followers. Authentic leaders act with integrity; they do what they say they are going to do.

The lack of progress and unfulfilled past promises have created a growing cynicism among those pushing for equity (Sellers & Easton, 2023). Without an effort to address the underlying causes of inequity, the disappointing result is practices that are seen as tokenism, mere window dressing, or only paying lip service to equity concerns. But when leaders behave in an authentic, socially responsible (i.e., fair and equitable) manner, employees tend to feel more supported by and have a greater sense of trust in their organization (Yates, 2018; Yates, 2020).

Employees can see through inauthentic managers and practices, and with the increased mobility of the workplace are now more willing to leave to find equity (Caminiti, 2021; Cohen, 2023; Collins, 2022). Small and medium-sized firms must make equity practices a fundamental part of their core beliefs and practices, or risk high turnover and low employee commitment.

This means that business leaders must be willing to have difficult conversations about equity, and they must be willing to advocate for change while challenging the status quo. A workplace authentically working toward equity has leaders willing to listen and learn from others, while being good role models in their dealings with others. It’s important to be transparent, as the most equitable practices can still be misunderstood without open communication. With true transparency in a workplace that is built on authentic beliefs in equity, people understand that mistakes can happen but can be overcome. This belief becomes part of the culture.

The question about the payoff from the attention paid to DEIB practices and the impacts of efforts to improve employee equity is going to be a part of the painful progress that businesses must make. The *New York Times*, *Harvard Business Review*, *Fast Company* and other media outlets have highlighted the failure of these efforts in large, more visible organizations. Smaller businesses and their leaders must stay the course, because the payoff of a workplace genuinely committed to equity will take time.

## Conclusion

Small businesses are uniquely positioned to make meaningful societal contributions to DEIB. Strategically, the challenges of the labor market coupled with the perceived failures of large corporations to make meaningful progress present small business owners with an opportunity to build a workforce that is committed to their organization, through mutual respect and a strong sense of belonging.

In part 2 of this article, we will outline four steps that managers and owners can implement to build an authentic focus on equity within their organizations.

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